

Message Text

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PAGE 01 PARIS 13702 062046Z

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 SWF-02 AID-20 CEA-02 COME-00 EB-11 FRB-02

CIEP-02 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

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R 061258Z JUN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9694

INFO AMEMBASSY LONDON

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, FR

SUBJECT: UK/EC RENEGOTIATION

1. IN GENERAL DISCUSSION WITH AMBASSADOR EBERLE JUNE 5, BRUNET, DIRECTOR, ECONOMIC AFFAIRS, MFA, MADE FOLLOWING COMMENTS RE JUNE 4 COUNCIL OF MINISTERS MEETING AT LUXEMBOURG. HE SAID FRENCH DELEGATION WAS SOMEWHAT TAKEN BACK BY BRITISH PRESENTATION OF THEIR CASE ON UK STATUS WITHIN COMMUNITY. FIRST, CALLAGHAN DELIVERED 7,000 WORD SPEECH A LA MAO OR BREZHNEV WHICH CONTAINED
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PAGE 02 PARIS 13702 062046Z

MASS OF TECHNICAL DATA. NEXT, FRENCH DID NOT EXPECT

CALLAGHAN TO RAISE SUBJECTS OTHER THAN UK CONTRIBUTION TO EC BUDGET. INSTEAD, HE ALSO SPOKE AT LENGTH TO QUESTIONS OF CAP, PREFERENCES FOR COMMONWEALTH COUNTRIES, ETC.

2. MORE SERIOUSLY, DESPITE BRITISH PROTESTATIONS TO CONTRARY, BRITISH ARE CHALLENGING A BASIC MECHANISM OF THE EC BUDGET. A LARGE PART OF THE EC BUDGET IS DERIVED FROM DUTIES AND LEVIES COLLECTABLE FROM THIRD COUNTRIES. TO PROVIDE AN INCENTIVE TO THE EXPANSION OF INTRA-COMMUNITY TRADE, EC MEMBERS ARE REQUIRED TO FORFEIT THESE DUTIES TO THE COMMUNITY. BRUNET SAID THE GOF FEELS STRONGLY THAT THIS CONCEPT CANNOT BE TAMPERED WITH. THE BRITISH WILL DO HARM TO THIS MECHANISM BY INTRODUCING AN ADDITIONAL COMPENSATORY SYSTEM FOR COUNTRIES WITH LOWER THAN AVERAGE PER CAPITA INCOMES.

3. THE MINISTERS AGREED ONLY TO EXAMINE THE EC FINANCIAL SITUATION FROM THE DATE OF COMMUNITY ENLARGEMENT (JANUARY 1972) UNTIL THE PRESENT. THE EC COMMISSION WILL SUBMIT ITS REPORT AT SOME UNSPECIFIED DATE. NO COMMITMENT WAS MADE TO PROJECT FUTURE TRENDS WITHIN THE EC OR SPECIFICALLY TO EXAMINE UK-EC ISSUES, ACCORDING TO BRUNET.

4. BOTH BRUNET AND BERNARD, WITH WHOM AMBASSADOR EBERLE SPOKE SEPARATELY, FELT THAT THE BRITISH HAD "PAINTED THEMSELVES INTO A CORNER" AND BERNARD EXPRESSED DISAPPOINTMENT THAT WILSON HAS NOT TAKEN A STRONGER PRO-COMMUNITY POSTURE. BOTH FEAR THAT THE DOMESTIC SITUATION IN THE UK IS SUCH THAT CONTINUED BRITISH PARTICIPATION IN THE COMMUNITY REMAINS PROBLEMATICAL AND BOTH EXPRESSED THEIR CONCERN AS TO HOW THE BRITISH GOVERNMENT WILL BRING ABOUT A PRO-COMMUNITY SOLUTION.

IRWIN

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